SOLID RESOURCES LTD.

1997 ANNUAL REPORT

SOLID RESOURCES LTD.

1997 Annual Report

TABLE OF CONTENTS

CORPORATE PROFILE & STRATEGY

SOLID RESOURCES LTD.

Diamond Drilling on the Hart Property.

Solid Resources Ltd. operates one of the largest "Slick Line" wireline and well testing services in Canada. In 1990 we moved Solid into the international arena by establishing agency offices in Cyprus and Moscow to sell Canadian manufactured production equipment abroad. This initiative was taken in order to supplement domestic service revenues. In 1996 the international mandate was expanded to include establishing service operations. Additional agency offices were opened in several locations to complete market assessments. International service efforts have since been streamlined to focus in North Africa and the Middle East from our base in Tunisia, and in Venezuela. Our objective is to create profitable service divisions in these market jurisdictions within the next two years that compliment and geographically diversify our Canadian service operations.

A whole new dimension was added to Solid in 1995 when we became involved in the exploration of a volcanogenic massive sulfide deposit on mineral leases and recorded claims totalling 8,890 acres, located in the Northwest Territories. Additional drilling was completed this past winter with geological sampling and mapping continued through the spring and summer of 1997. Several new anomalies were discovered and as a result, an aggressive drilling program is anticipated for the winter of 1997/8. Outlined mineral reserves to date are classified as drill proven and probable and were last valued in June of 1997 at $248,000,000.

Solid's participation in this exploration property is expected to prove more significant for our shareholders then anything we could hope to accomplish in our Oil and Gas service and sales business over the short term. However together, our shareholders are provided with a unique opportunity to participate in two resource industries both of which are considered to have considerable upside potential; Oil and Gas, and Base and Precious metals.

FINANCIAL HIGHLIGHTS

	CONSOLIDATED		CANADIAN SERVICE OPERATION	
	1997	1996	**1997**	1996
($ Thousands except for ratio and share data)				
Financial Results				
Revenue	$ **10,670**	9,555	$ **9,234**	8,813
Gross Profit Contribution	$ **3,267**	2,742	$ **3,229**	3,144
Net Earnings (Loss)	$ **(1,239)**	(1,824)	$ **24**	(588)
Cash Flow from operations	$ **152**	(1,757)	$ **1,291**	(390)
Financial Position				
Total Assets, NBV	$ **9,038**	8,483	$ **6,738**	6,050
Working Capital Ratio	**1.05:1**	0.67:1	**0.92:1**	0.62:1
Total Debt Equity*Ratio	**1.35:1**	1.60:1	**1.39:1**	1.83:1
Per Share				
(Loss) earnings before income tax	$ **(0.26)**	(0.53)	$ **0.01**	(0.20)
Cash Flow	$ **0.03**	(0:37)	$ **0.23**	(0.07)

* Advances from parent are included as Equity in calculating Debt Equity for Canadian Service Division

Solid's mobile production metering unit utilizes latest technology for accurate and reliable oil, gas and water measurement capability.

International Product Sales:

During fiscal 1997 Solid designed a very innovative and efficient 3-phase mobile well testing unit in alliance with a local fabricator. The first three units were sold into Russia for approximately $1,100,000 Cdn. and were installed during the summer through fall of 1997. We received this order based on proprietary design features, tendered through the world bank in competition to companies such as Schlumberger, a fact we are very proud of. Recently we were asked to tender five (5) more units for the Russian market. These units are the only mobile regulatory approved system in Russia for measuring contribution by the various producing associations. Basically they replace old technology which is very inaccurate and which often results in producers not receiving proper credit for the amount of production contributed. While there is a cost premium for our units, the entire purchase price is estimated to be recovered through increased production credits over a very short period of time. We estimate the Russian market has the potential to sell up to 200 of these units per annum.

The revenue potential for Solid from future sales could conceivably exceed several tens of millions of dollars per annum. Meetings were held with ARAMCO in Saudi Arabia in June of 1997 wherein considerable interest was expressed for purchase or rental of these unique metering units. Hence, a priority for Solid is to develop a major marketing campaign in 1998 for the manufacture and sale of this product.

International Service Operations.

The transition from a Canadian oil-field service business to one operating internationally presents many challenges. It requires capital, the commitment of many talented people and perseverance. A number of important directives were implemented during 1997, based on our experience to date, market analysis and negotiations with potential Joint Venture partners. Our goal is to establish international service operations in Tunisia and Venezuela over the next two years, contributing operational cash flows equal to or in excess of our Canadian operation. These objectives are contingent on securing appropriate funding either through the market or by way of Joint Venture partnership.

continued on next page...

Typical Solid Production Services "slickline" service van.

Ignoring our international launch year in fiscal 1996 which caused a major disruption to our Canadian service operations, Canada has averaged $1,820,000 in positive cash flow annually since 1994. Using this average and assuming we replicate this performance in two other geographic markets by 1999, we would achieve combined operational cash flow from oilfield services annually in the $4,500,000 to $6,500,000 range. Providing market conditions remain positive and we are successful in establishing market presence, we believe this is an attainable objective.

Canadian Operations:

Subsequent to our April 30th, 1997 year end we refinanced our Canadian service operations, setting up a separate, wholly owned subsidiary, Solid Production Services Ltd.. A total of $3,000,000 in financing was provided exclusively to support and grow our Canadian operations. As part of the financing we agreed not to use operational cash flows generated from Canada to support our international effort. During 1997 we opened a new branch location in Zama, Alberta, and increased our well servicing fleet by 25 percent, adding eight additional well testing systems. We also invested close to $400,000 in new downhole gauges to support our wireline division. Based on oil and gas activity estimated for the next year in Western Canada, we expect a marked improvement over our 1997 results.

Solid Resources Ltd.-
Benefits of Diversification and Expansion:

It is always difficult to assess a company going through a transition. The question is whether they can succeed at what they are doing. Certainly the Oil and Gas industry worldwide presents tremendous potential to significantly increase Solid's service and product revenues and cash flow. Success is a function of financing and making the right business moves.

We believe we have assembled an excellent team of people and have formulated a good strategy for success. Much of the required investment has already been made both in covering start-up operational costs and capital expenditures. During the past few years Solid has purchased over $4,000,000 in additional service equipment; close to half of which has been for off shore expansion. Our service fleet was recorded at a Net Book Value of $3,408,642 as at April 30th, 1997 which understates market realities. We recently had our fleet appraised in conjunction with financing, indicating a market value exceeding $11 million dollars. We feel strongly that the revenue generation potential of this investment will start to demonstrate itself in the near term.

THE HART MINERAL CLAIMS:

Last, but by no means least, is our involvement in the "Hart Project". In my opinion this exploration project presents the greatest potential for Solid shareholders. Yet it requires the least amount of administrative overhead to manage because of the writers extensive 35 years experience in the mining industry.

Core Samples, Hart Property, Northwest Territories

the least amount of administrative overhead to manage because of the writers extensive 35 years experience in the mining industry. The primary question: What is the underlying market value of Solid's interest in these mineral claims? Ultimately this must be determined through continued exploration. However I am very confident in suggesting that it greatly exceeds the deferred exploration costs capitalized in our April 30th, 1997 financial statement. Our diamond drill core has been independently verified. "Drill indicated reserves", were last calculated by an independent geologist using base and precious metal prices at June 25th, 1997, at $248,000,000 Canadian or $210 per ton of known reserve.

At year end Solid held a 47% title interest or 37% profit share interest in these claims. Solid had the contractual right to earn up to a 49% title interest which will be exercised in 1998. There are a total of 8,890 acres under lease or recorded claims in good standing known as the "Hart Project". Drilling continued this past winter and surface sampling and geophysical work continued with five new anomalies discovered during our summer work program. We are still assessing where best to spend future exploration dollars to increase reserves. However, considerable additional mineralization has been discovered since our last reserve assessment and the rock formations clearly indicate that there is likely a major deposit on the property. The challenge is finding it and this is a function of proper surface sampling, mapping and then diamond drilling the new targets.

If there is any one singular objective for Solid that should take precedence, it is to increase Solid's ownership position in the Hart Project and we will be recommending this to our shareholders strongly sometime in 1998. My hope is to convince everyone involved that Solid should be the owner of 100% of this project.

Once again, I would like to thank our shareholders and employees for your continued support and look forward to reporting very favorably in 1998.

Alvin A. Harter

Alvin A. Harter,
Chairman of the Board

Alvin A Harter,

Portable heated production test separator package.

Results Of Operations

The Company incurred a pre-tax consolidated loss of $1.45 million in fiscal 1997, compared to a pre-tax consolidated loss of $2.49 million in fiscal 1996. International start-up operations continued to account for the loss whereas the Canadian service operation actually recorded a modest profit compared to a loss in fiscal 1996. Due to the consolidated loss in fiscal 1997, an income tax recovery of $247,000 was recorded. By comparison, in fiscal 1996 a deferred income tax recovery of $933,000 was recorded. The company has now used most of it's recoverable income tax position and is considering various tax planning alternatives to support expansion.

Cash generated from the Canadian service operation improved considerably to $1.3 million compared to a cash requirement of $0.4 million in 1996. The subsidy of international operations reduced consolidated cash generated from operations to $0.15 million. However this still presented a major improvement over fiscal 1996 where a cash requirement of $1.7 million was reported to support consolidated operations (cash from/for operations calculated before non-cash working capital balances).

Canadian service revenues totalled $9.2 million, up approximately 5% from the previous year. International revenues were $1.4 million compared to $0.74 million in fiscal 1996, up over 80%. Of this, $1.0 million represented product sales recorded from the sale of (3) well testing units in Russia. International service revenues were actually down from fiscal 1996, reflecting the fact we streamlined our international service campaign during the year. We also note that service work performed in Venezuela during fiscal 1997, as part of our pre-marketing campaign, was not booked as revenue.

Consolidated profit margins (revenue less cost of sales, as a percentage of revenue) improved to 31% from 29% in fiscal 1996. This improvement related to international operations as profit margins from the Canadian service operation did not change materially. Consolidated administration and general expenses (overheads) were reduced substantially during the year to $3 million from $3.8 million in fiscal 1996.

Depreciation expense increased by 30 % to $1.35 million from $1.0 in fiscal 1996, as a result of adding new equipment to our service fleet. Interest costs totalled $389,322 in 1997 compared to $414,992 in 1996.

Liquidity and Capital Resources

On a consolidated basis operating activities demonstrated a considerable improvement in fiscal 1997, contributing $151,912 in cash

compared to fiscal 1996 where $1,756,895 in outside funding was required to support operations. This was accomplished through a combination of reduced international cash losses and improved domestic performance which generated cash as opposed to suffering a cash loss in 1996.

Investing activities in fiscal 1997 tallied $1.8 million, comprised of approximately $1 million in net capital additions to the service fleet and $ 0.8 million in exploration expenditures. These were funded through a combination of long term debt and issuance of share capital. Additional exploration expenditures were primarily funded through the issuance of share capital under pre-negotiated put and call agreements as described in note five and note thirteen of the audited financial statements.

In addition the Company secured $997,458 in long term debt (net of scheduled repayment), raised $761,832 in share capital for cash consideration, and issued share capital of $280,000 for conversion of debt. This, combined with the positive cash generated from operations, improved the Company's liquidity position at year end net of investing activities funded by cash. Consolidated Working Capital as at April 30th, 1997 was a positive $144,932 compared to a negative $1,545,442 at the end of fiscal 1996.

Subsequent to April 30th, 1997 the Company secured new financing to support it's Canadian service operation. The details of this financing and repayment terms are more fully described in note eleven of the financial statement. The full impact of the new long term financing is expected to further improve the Company's liquidity position once fully disbursed. Concurrently the Company secured a larger operating line of credit for it's Canadian operation which should further improve the cash operations of it's Canadian service business. Overall, as indicated in the Financial Highlights section of the annual report, the Company's working capital and debt to equity ratios improved considerably from 1996.

Business Outlook

Management expects fiscal 1998 to be a landmark year for Solid Resources Ltd. Exploration on the Hart Property will proceed more aggressively with great expectations resulting from the geological data accumulated this past winter. Oil and gas activity in Western Canadian is predicted to be robust which should translate to improved cash flow from Solid's Canadian service subsidiary. International service operations are expected to achieve at least break even with new initiatives in international product sales expected to bolster international results to profitability.

The progress made during 1997 to finance the Canadian operation has positioned Solid to take better advantage of market conditions in Western Canada. The well testing division has been expanded and additional equipment will be added prior to next winter. Equity funding is really required to capitalize on the international initiatives we have developed over the past twenty-four months. However we are optimistic that the necessary funding can be arranged given the huge opportunities we have identified and quantified. In short we remain extremely enthusiastic about the year ahead.

Early production platform on Lake Maracaibo, Venezuela.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying consolidated financial statements of Solid Resources Ltd. were prepared by management in accordance with accounting principles generally accepted in Canada. Financial information presented throughout the annual report is consistent with that shown in the consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

KPMG, an independent firm of chartered accountants appointed by the shareholders, have examined the consolidated financial statements. The Audit Committee has reviewed the consolidated financial statements with management and the auditors and has reported to the Board of Directors who have approved the consolidated financial statements.

Alvin A. Harter
Chairman of the Board and President

Greg Spicer
Secretary and V.P. Finance

August 14, 1997
Edmonton, Alberta, Canada

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Solid Resources Ltd. as at April 30, 1997 and 1996 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants

Calgary, Canada
August 14, 1997,except
notes 11 and 18 which are
as of October 30, 1997

Consolidated Balance Sheets • Years Ended April 30

ASSETS	1997	1996
Current Assets		
Accounts receivable	$ 2,664,054	$ 2,610,327
Inventories (Note 4)	320,068	333,445
Prepaid expenses and deposits	229,233	155,170
	3,213,355	3,098,942
Deferred Exploration Costs (Note 5)	2,328,934	1,520,589
Property and Equipment (Note 6)	3,408,642	3,731,106
Due from Joint Venture Participant (Note 8)	86,777	132,254
	$ 9,037,708	$ 8,482,891
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (Note 9)	$ 590,396	$ 486,491
Accounts payable and accrued liabilities	1,902,178	2,248,142
Promissory notes payable (Note 10)	125,000	690,988
Current portion of long term debt (Note 11)	450,849	971,763
Income taxes payable	--	247,000
	3,068,423	4,644,384
Long Term Debt (Note 11)	1,723,002	204,630
Deferred Income Taxes	407,000	367,000
	5,198,425	5,216,014
Shareholders' Equity		
Share capital (Note 13)	7,085,533	5,273,901
Currency translation adjustment	50,336	50,336
Deficit	(3,296,586)	(2,057,360)
	3,839,283	3,266,877
Contingencies and Commitments (Note 12)		
Subsequent Events (Note 18)		
	$ 9,037,708	$ 8,482,891

See Notes to the Consolidated Financial Statements.

Signed On Behalf of the Board

Director

Greg Spicer Director

Consolidated Statements of Operations and Deficit • Years Ended April 30

	1997	1996
Revenue	**$ 10,669,770**	$ 9,554,591
Cost of sales	**7,402,741**	6,812.247
	3,267,029	2,742,344
Expenses		
Administration and general	**2,973,341**	3,783,958
Depreciation	**1,349,695**	1,038,087
Interest on long-term debt	**149,728**	148,643
Interest on promissory notes	**85,223**	61,339
Interest and bank charges	**154,371**	205,010
	4,712,358	5,237,037
Loss before the undernoted	**(1,445,329)**	(2,494,693)
Other Income		
Foreign exchange gain	--	(58.135)
(Loss) gain on sale of equipment	**(1,443)**	39,863
Miscellaneous revenue	**546**	2,524
Loss before income taxes	**(1,446,226)**	(2,510,441)
Income taxes		
Current (recovery)	**(247,000)**	247,000
Deferred (recovery)	**40,000**	(933,000)
	(207,000)	(686,000)
Net loss	**(1,239,226)**	(1,824,441)
Deficit, beginning of year	**(2,057,360)**	(232.919)
Deficit, end of year	**$ (3,296,586)**	$ (2,057,360)
Loss per share	**$ (0.23)**	$ (0.38)

See accompanying notes to consolidated financial statements

	1997	1966
OPERATING ACTIVITIES		
Net loss	**$ (1,239,226)**	$ (1,824,441)
Add (deduct) items not affecting cash		
Depreciation	**1,349,695**	1,038,087
Amortization of deferred finance charges	**--**	2.322
Loss (gain) on sale of equipment	**1,443**	(39,863)
Deferred income taxes	**40,000**	(933,000)
	151,912	(1,756,895)
Changes in non-cash balances relating to operations		
Accounts receivable	**(903,727)**	1,446,132
Inventories and prepaid expenses	**(60,686)**	(153,066)
Income taxes payable	**(247,000)**	127,000
Accounts payable and accrued liabilities	**(345,964)**	35,961
	(1,405,465)	(300,868)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(1,054,874)**	(1,763,513)
Acquisition of Tasco Logging Service	**--**	(216.212)
Proceeds on disposal of equipment	**26,200**	308,171
Investment in resource properties	**(808,345)**	(1,414,942)
	(1,837,019)	(3,086,496)
FINANCING ACTIVITIES		
Advances from joint venture	**--**	19,138
Advances from joint venture participant	**45,477**	--
Increase in long-term debt	**1,433,708**	48,210
Repayment of long term debt	**(436,250)**	(988,935)
issue of share capital for cash	**761,632**	4,634,276
Issue of share capital for non-cash consideration	**1,050,000**	--
Proceeds of share capital issue collected (in accounts receivable)	**850,000**	(850,000)
Promissory notes payable	**(565,988)**	286,988
	3,138,579	3,149,677
Net cash outflow	**(103,905)**	(237,687)
Bank indebtedness, beginning of year	**(486,491)**	(248,804)
Bank indebtedness, end of year	**$ (590,396)**	$ (486,491)

See accompanying notes to consolidated financial statements.

Living quarters on production platform off Tunisian Coast.

1. DESCRIPTION OF BUSINESS

Solid Resources Ltd. (the "Company") is incorporated under the laws of the Province of Alberta.

The Company is a holding company with investments in four wholly owned subsidiaries all of which are consolidated:

354002 Alberta Ltd.

- 99% partner in Solid Wireline Services, a partnership which is engaged in oil and gas well testing and servicing, in addition to the acquisition, exploration and development of resource properties.

358738 Alberta Ltd.

- 1% partner in Solid Wireline Services.

383933 Alberta Ltd.

- holding company previously engaged in the rental of wireline servicing equipment.

Solid Energy Services, Inc.

- U.S. subsidiary, providing production logging services in the U.S. and Venezuela.

The Company also holds a 50% interest in an offshore corporate joint venture that is accounted for by the proportionate consolidation basis.

Solid Engineering (Cyprus) Limited

- engaged in the sale of gas plants and other related oil field equipment in the Russian Federation.

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

a) Inventories

Inventories are recorded at the lower of cost and replacement cost.

continued on next page...

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is recorded at rates designed to depreciate the cost or assets over their estimated useful lives on a straight-line basis as follows:

Wireline tools and equipment	10%	Well testing equipment	10%
Automotive and mobile homes	15%	Furniture and equipment	10%
Computer equipment	20%	Leasehold improvements	50%
Buildings	5%	Equipment under capital lease	15%
Electronic gauges	20%		

c. Deferred exploration costs

The Company is engaged in the acquisition, exploration and development of resource properties. These activities are in the pre-production stage, and accordingly all costs, net of incidental revenues, are capitalized. When properties are developed to the stage of commercial product:ion, these costs will be charged against earnings, through unit of production depletion. The costs relating to abandoned property are written off when the decision to abandon is made. General, administration and overhead expenditures are expensed as incurred.

d. Deferred income taxes

The Company follows the tax allocation method of accounting for income taxes. Deferred income taxes shown on the financial statements result from timing differences between financial and tax reporting principally related to recognition of partnership income.

e. Foreign currency translation

Monetary balance sheet items are translated into Canadian dollars at the exchange rate in effect at the year end, and income and expense items are translated at the rates prevailing at the transaction date. Gains or losses resulting from translation are included in earnings.

3. ACQUISITION

On September 6, 1995, the Company purchased the production logging equipment inventory and tools of Tasco Logging Services Inc., for consideration of $216,212 (U.S. $160,000), comprised of $67,600 (U.S. $50,000) in cash, $81,120 (U.S. $60,000) in notes payable and $67,492 by issue of 10,036 common shares of the Company at $6.72 per share. The aggregate estimated fair value of the assets acquired is as follows:

Inventory and tools	$ 121,680
Automotive equipment	81,120
Other	13,412
	$ 216,212

4. INVENTORIES

	1997	1996
Wireline consumables	$ 295,034	$ 303,687
Testing consumables	7,264	23,495
Other	17,770	6,263
	$ 320,068	$ 333,445

5. DEFERRED EXPLORATION COSTS

On February 15, 1995, the Company, through its wholly owned subsidiary, 354002 Alberta Ltd., entered into an option agreement with related parties to purchase up to 19% ownership in certain mineral leases located in the Northwest Territories. entitling the Company to earn one percent for every $100.000 of qualified exploration and development expenditures incurred.

On December 28, 1995, the Company acquired a 40% ownership position in the referenced mineral leases. The consideration paid was $900,000, comprised of $400,000 cash and $500,000 by issue of 50,000 common shares of the Company The purchase was made subject to continuance of a 10% carried interest in profits, in favour of one of the vendors.

The effect of these transactions on a consolidated basis, was that the Company acquired a net 30% interest in any profits generated by development of the mineral leases with the exclusive right to earn up to an additional 19%.

As at April 30, 1997, the Company had spent $1,713,954 in qualified exploration and development expenditures (1996 - $620,589) on a consolidated basis. These expenditures were made either directly or through a series of "farm-in' agreements with various investors, subject to pre-negotiated put and call agreements to exchange any interest earned for common shares of Solid Resources Ltd.

The result of these transactions as at April 30, 1997, is that the Company owns a 47% interest in any future profits for the referenced mineral leases (April 30, 1996 - 44%j.

At April 30, 1997, deferred exp]oration costs with a net book value of $770.000 (April 30, 1996 - nil) have no cost basis for income tax purposes.

6. PROPERTY AND EQUIPMENT

	Cost	1997 Accumulated Depreciation	Net Book Value
Wireline tools and equipment	$ 3,548,129	$ 2,562,873	$ 985,256
Well testing equipment	1,640,645	596,565	1,044,080
Automotive equipment	3,727,518	3,330,484	397,034
Electronic gauges	1,194,315	371,384	822,931
Furniture and equipment	103,697	97,597	6,100
Computer equipment	136,568	85,346	51,222
Mobile homes and buildings	60,064	15,689	44,375
Leasehold improvements	27,206	18,062	9,144
Equipment under capital lease	561,421	561,421	0
Land	48,500	0	48,500
	$11,048,063	$ 7,639,421	$ 3,408,642

SOLID RESOURCES LTD.

6. PROPERTY AND EQUIPMENT (continued)

	1996		
	Cost	Accumulated Depreciation	Net Book Value
Wireline tools and equipment	$ 3,364,750	$ 2,372,620	$ 992,130
Well testing equipment	1,462,976	415,733	1,047,243
Automotive equipment	3,695,065	2,689,194	1,005,871
Electronic gauges	735,185	139,427	595,758
Furniture and equipment	102,107	84,775	17,332
Computer equipment	130,055	64,775	65,280
Mobile homes and buildings	15,150	7,658	7,492
Leasehold improvements	17,985	17,985	0
Equipment under capital lease	561,421	561,421	0
	$10,084,694	$6,353,588	$3,731,106

7. INVESTMENT IN JOINT VENTURE

Solid Resources Ltd. has a 50% interest in Solid Engineering (Cyprus) Limited, a joint venture Cypriot company incorporated on October 24, 1991 to direct the development of certain areas of the foreign operations of the Company. The joint venture had no operations in 1997 and 1996 and its assets and liabilities are not significant to the Company.

8. DUE FROM JOINT VENTURE PARTICIPANT

Transactions during the year with the joint venture participant, a related company, consisted of the following:

	1997	1996
Balance, beginning of year	**$ 132,254**	$ 151,392
Interest incurred on payable to participant	**(75,324)**	(75,324)
Payments to joint venture participant	**0**	2,000
Administration fees charged to joint venture participant	**77,000**	78,375
Transfer of equipment	**0**	(48,960)
Payments made on behalf of joint venture participant	**(47,153)**	24,771
Balance, end of year	**$ 86,777**	$ 132,254
Balance consists of:		
Receivable from participant	**$ 944,017**	$ 989,494
Payable to participant	**857,240**	857,240
	$ 86,777	$ 132,254

8. DUE FROM JOINT VENTURE PARTICIPANT (continued)

The amount payable to participant bears interest at 10% per annum, is repayable on demand and is secured by the Company's shares in the joint venture (Note 7).

In addition the Company has agreed that in the event the controlling interest in Solid Resources Ltd. is not held by the existing control group or in the event of the Company's bankruptcy, title to the shares held as security will be transferred to the joint venture participant.

The joint venture participant is subject to significant influence by an officer and major shareholder of the Company.

9. BANK INDEBTEDNESS

The Company has arranged with its bankers, a demand, revolving loan facility in the amount of $500,000 for the purpose of financing general operating requirements. Interest is charged at a floating rate equal to the bank's prime rate plus 1.5%. Total loans outstanding are subject to certain margin limitations.

Bank indebtedness, consisting of amounts drawn on the operating line and outstanding cheques, amounted to $590,396 at April 30, 1997 (1996 - $486,491). Security is provided by a general security agreement with the only permitted encumbrances being a debenture in favor of 340308 Alberta Ltd., Bill-Kar Holdings Ltd. and ByNet Holdings Ltd., and a debenture in favor of RoyNat Inc. (Refer to Note 11).

10. PROMISSORY NOTES PAYABLE

	1997	1996
Unsecured note payable to a shareholder bearing interest at bank prime rate plus 2%, payable on demand.	$ --	$ 200,000
Unsecured notes payable.(Note 12(b)).	**125,000**	456,160
Note payable, bearing interest at 8% per annum, and secured by certain automotive equipment.	--	34,828
	$ 125,000	$ 690,988

11. LONG TERM DEBT

	1997	1996
Gorhaven Inc. term loan, repayable in full on October 8, 1999 plus interest at 10% payable monthly.	**$ 750,000**	$ 0
Unsecured notes payable bearing interest at rates varying from 10% to 15% per annum, maturing April 30, 1999.	**474,200**	0
RoyNat Inc. term loan, repayable by monthly payments of $33,000 plus interest at the lender's cost of funds plus 2.5%, maturing September 15, 1997.	**207,000**	405,000
340308 Alberta Ltd., Bill-Kar Holdings Ltd. and ByNet Holdings Ltd. promissory notes, repayable by monthly graduating payments from $15,000 to $50,000 plus interest at 8% per annum, maturing April 30, 1998.	**170,000**	380,000
Financing for purchase of equipment, non interest bearing, repayable by monthly payments ending December 1, 1998.	**368,020**	0
Vehicle finance contracts, repayable by monthly payments of $11,602 including interest at rates ranging from 6.9% to 11.70%, maturing in 1998 and 1999.	**204,631**	391,393
	2,173,851	1,176,393
Less current portion	**450,849**	971,763
	$ 1,723,002	$ 204,630

The Gorhaven Inc. loan is secured by a postponed charge on fixed assets and personal guarantees of two officers of the Company. The loan was convertible into common shares of the Company at $10.50 and $11.50 per share. On initial recognition no value was assigned to the conversion feature. In October 1997, as part of an arrangement to extend the repayment term of the loan, the conversion feature was changed to make the loan convertible at the option of the lender into units of the Company at a conversion rate of $7.50 per unit. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one additional common share at an exercise price of $7.50 per share until October 8, 1999.

The RoyNat Inc. term loan was secured by an assignment and hypothecation of the issued and outstanding share capital of 354002 Alberta Ltd., a first fixed charge on all fixed assets, a floating charge debenture on all other assets, and by a postponement of the landlord's interest in the assets located at each branch location, of the wholly-owned subsidiary 354002 Alberta Ltd.

11. LONG TERM DEBT (continued)

Promissory notes from 340308 Alberta Ltd., Bill-Kar Holdings Ltd. and ByNet Holdings Ltd. were secured by a General Security Agreement over the assets of Solid WIreline Services (partnership) subordinated to any and all security granted to RoyNat Inc. to a maximum principal sum of $3.0 million, to security which may have been granted to secure an operating line of credit, and to security granted to lenders who were providing financing for the acquisition of new equipment.

Certain equipment has been pledged as collateral for the vehicle finance contracts.

In October 1997, the Company obtained new bank financing in the form of a term loan of $1,500,000 secured by certain equipment and a demand operating credit facility of $1,500,000 secured by accounts receivable, subject to certain margin requirements. The term loan bears interest at the bank's prime rate plus 2.5% and the demand operating credit facility bears interest at the bank's prime rate plus 1.5%. Repayment of the term loan is in monthly principal payments of $25,000. This financing was used to repay the Roynat Inc. term loan, 340308 Alberta Ltd., Bill-Kar Holdings Ltd. and ByNet Holdings Ltd. promissory notes and the vehicle finance contracts. At October 30, 1997, $1,500,000 was drawn on the term loan and $250,000 on the demand operating credit facility.

The principal repayments of long term debt required in each of the next five years after considering the refinancing described above, are estimated as follows:

1998	$ 450,849
1999	841,371
2000	881,631

12. CONTINGENCIES AND COMMITMENTS

(a) The Company is defendant in three legal actions with former employees alleging wrongful dismissal and claiming $400,000 in damages. The resolution of any of these actions is, in the opinion of management, not expected to have a material adverse effect on the Company's consolidated financial position. No provision has been made in these statements with respect to costs, if any, to be incurred.

(b) The Company and an officer of the Company are defendants in a claim issued by the holder of a $50,000 note payable, claiming damages in the amount of $950,000 or alternatively an order requiring the defendants, to deliver 100,000 common shares of Solid Resources Ltd. to the plaintiff pursuant to the conversion of a certain debt. It is not possible at this time to determine any potential liability in respect of this action.

(c) The Company is committed under operating leases on leased equipment and premises for future minimum lease payments through 2000 as follows:

1998	126,740
1999	80,496
2000	46,956

Any losses which may result from the contingencies in items (a), and (b) above will be accounted for in the period in which they are determined.

13. SHARE CAPITAL

Authorized
Unlimited number of common shares.

Issued and fully paid

	Number	Amount
Balance at April 30, 1995	4,366,250	$ 639,625
Common shares issued during the year		
for cash	440,351	2,423,610
warrants exercised	200,000	920,000
share options exercised	196,600	491,500
in exchange for services	50,000	500,000
purchase of assets of Tasco Logging Services, Inc.	10,036	67,492
conversion of debt	68,800	259,120
	965,787	4 661,722
	5,332,037	5,301,347
Share issue costs	--	(27,446)
Balance at April 30, 1996	5,332,037	$ 5,273,901
Common shares issued during the year		
for cash	61,419	610,382
share options exercised	61,125	151,250
issued under terms of put & call agreements (Note 5)	85,556	770,000
conversion of debt	27,090	280,000
	235,190	1,811,632
Balance at April 30, 1997	5,567,227	$ 7,085,553

The Company has reserved for issuance common shares pursuant to the exercise of stock options (exclusive of the warrants described in note 11) as follows:

	Number of shares	Price per share	Expiry date
Employee stock options	50,000	$ 2.50	June 30, 1997
Director stock option	50,000	$ 9.50	October 15, 1998

14. INCOME TAXES

The Company has a combined federal and provincial statutory tax rate in 1997 of 44.6% (1996 - 44.6%). the income tax provision differs from the amount obtained by applying the combined Canadian federal and provincial income tax rate to net earnings as follows:

	1997	1996
Expected income tax recovery	**$ (645,000)**	$(1,120,000)
Non-deductible losses of joint venture and foreign subsidiary	**413,000**	416,000
Other	**25,000**	18,000
	$ (207,000)	$ (686,000)

The Company has non-capital losses of approximately $1,400,000 available to reduce future years taxable income to the year 2004. The majority of these losses were incurred in tax jurisdictions outside Canada.

15. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these consolidated financial statements include:

	1997	1996
Loans and notes payable to shareholders	**$ 1,009,200**	$ 275,000
Notes payable to director	**240,000**	65,000
Note payable to related company	**50,000**	50,000
Interest charged on loans from shareholders, director and related company, included in interest expense	**85,223**	35,392
Payments to directors and officers for management services	**211,420**	260,920

16. SEGMENTED INFORMATION

Industry segments

The Company is engaged in two principal industry segments, gas and oil field services and equipment sales, and the exploration and development of resource properties.

The exploration and development of resource properties segment is in the pre-production stage and all related expenditures have been capitalized.

Geographic segments

The geographic areas in which the company operates are Canada, United States, Venezuela, Tunisia, Abu Dhabi and Russia. No geographic segment outside Canada is considered to be significant to the Company in 1997 and 1996. The Company had property and equipment outside Canada with a net book value of $1,170,000 at April 30, 1997.

17. FINANCIAL INSTRUMENTS

Fair values

The carrying values of accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these instruments.

The fair value of the Company's long-term debt at April 30, 1997 was approximately $1,850.000 based on the present value of contractual future payments of principal and interest, discounted at the estimated current market rates of interest available to the Company for the same or similar debt instruments with fixed interest rates. All long-term debt with variable rates is assumed to already be at fair value, and therefore is not revalued.

18. SUBSEQUENT EVENTS

(a) Subsequent to year end, the corporate group was restructured to separate the mining and wireline services businesses. The purpose of the restructuring was to simplify the corporate structure and to increase funding opportunities for both businesses.

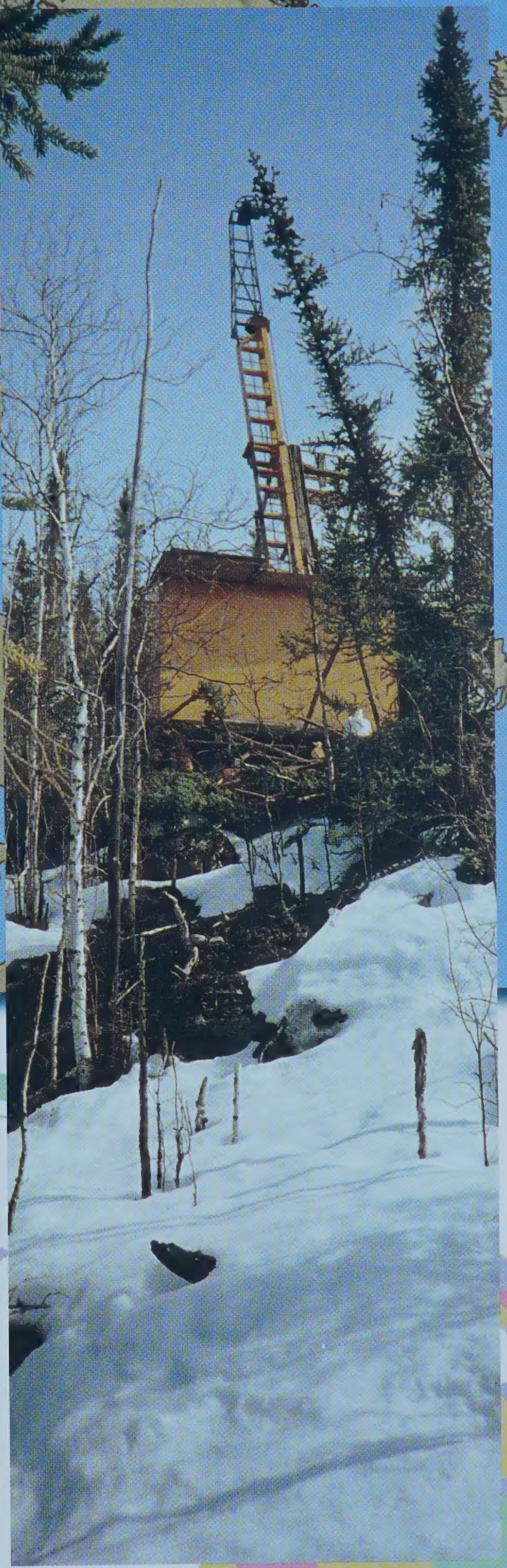
(b) Subsequent to year end, employee stock options were exercised to acquire 50,000 common shares of the Company.

Five Year Statistical Summary • Years Ended April 30

SOLID RESOURCES LTD.

($ thousands except for share data)	**1997**	1996	1995	1994	1993
Financial Results					
Revenue	**$ 10,670**	$ 9,555	$ 13,706	$ 9,287	$ 5,422
Earnings (Loss) before income taxes	**(1,446)**	(2,510)	1,748	1,216	(635)
Earnings (Loss) per share	**(0.27)**	(0.53)	0.40	0.28	(0.15)
Changes in Financial Position					
Cash flow from (used in) operations	**$ 152**	$ (1,757)	$ 2,189	$ 1,978	$ 180
Cash flow per share	**0.03**	(0.37)	0.50	0.45	0.04
Net capital expenditures (disposals)	**1,029**	1,455	1,767	531	(103)
New debt financing	**1,434**	48	820	214	0
Debt repayment	**(436)**	(989)	(1,011)	(247)	(373)
Financial Position					
Total assets-Net Book Value	**$ 9,038**	$ 8,483	$ 6,859	$ 5,523	$ 4,324
Working capital (deficiency)	**145**	(1,545)	(401)	(728)	(1,041)
Property and equipment - Net Book Value	**3,409**	3,731	3,058	2,137	2,342
Current portion long term debt	**(451)**	(972)	(958)	(630)	(457)
Long term debt	**(1,723)**	(204)	(1,159)	(1,677)	(1,883)
Shareholders' equity (deficiency)	**3,839**	3,267	457	(492)	(1,138)
Statistics					
Working Capital Ratio	**1 : 1**	.7 : 1	.9 : 1	.8 : 1	.6 : 1
Total Debt to Equity Ratio	**1.4 : 1**	1.6 : 1	17 : 1	n/a	n/a
Expenditure on Hart Mineral Claims	**$ 2,329**	1,521	105	-	-
Service Fleet - Original Cost	**11,048**	10,085	8,493	7,318	6,961
Number of common shares	**5,567,227**	5,332,037	4,366,250	4,366,250	4,366,250

Map of the Hart Property



Exploration activities on the Hart Property, location of volcanogenic, polymetallic, massive sulfide deposit.

Corporate Information

Domestic Operation

Head Office

505 - 19 Avenue
Nisku, Alberta T9E 7V9
(403) 955-7525

Sales Office

490, 734 - 7 Avenue S.W.
Calgary, Alberta T2P 3P8
(403) 237-6050

District Offices

Drayton Valley, Alberta
(403) 542-6277

Grande Prairie, Alberta
(403) 532-6044

Rainbow Lake, Alberta
(403) 956-3960

Red Deer, Alberta
(403) 347-1416

Whitecourt, Alberta
(403) 778-4440

Nisku, Alberta
(403) 955-7525

Zama, Alberta
(403) 683-2290

Fort St. John, B.C.
(250) 785-8245

Foreign Operation

SOLID ENGINEERING (Cyprus) LIMITED

SOLID NORTHERN AFRICA

SOLID VENEZUELA

SOLID RUSSIA, MOSCOW

Directors

ALVIN HARTER
Chairman of the Board
President and C.E.O.
Ardrossan, Alberta

ROBERT FOX, P.Eng.
Vice President and C.O.O.
Calgary, Alberta
(Retired October, 1997)

GARY HORTON
Corporate Director
Ardrossan, Alberta

GREG SPICER
Vice President, Finance,
Secretary
Edmonton, Alberta

TERRY ROYER
Corporate Director
Sherwood Park, Alberta

BRUCE SANSOM
Corporate Director
Edmonton, Alberta
(Appointed October, 1997)

Officers

ALVIN HARTER
Chairman of the Board
President and C.E.O.

ROBERT FOX, P.Eng.
Vice President and C.O.O.

GREG SPICER
Vice President, Finance,
Secretary
Edmonton, Alberta

Agents

Target Oilfield Services,
Cairo, Egypt

Al Roumi General Trading
Abu Dhabi, U. A. E.

Teexco, Tunisian
Engineering Exchange
Company,
Tunis, Tunisia

Auditors

KPMG
1200, 205 - 5 Avenue S.W.
Calgary, Alberta

Bankers

National Bank of Canada
10150-100 Street,
Edmonton, Alberta

Transfer Agent

Montreal Trust Company
530 - 8 Avenue S.W.
Calgary, Alberta

Legal Counsel

Bryan & Company
2600 Manulife Place
10180 - 101 Street
Edmonton, Alberta

Stock Exchange Listing

The Alberta Stock Exchange
Trading Symbol - SRW

website
www.solidresources.com

e-mail
info@solidresources.com

SOLID RESOURCES LTD.

Head Office

505 - 19 Avenue
Nisku, Alberta
Canada T9E 7V9
Phone: (403) 955-7525
Fax: (403) 955-3412

Website:
www.solidresources.com

e-mail:
info@solidresources.com

Printed in Canada